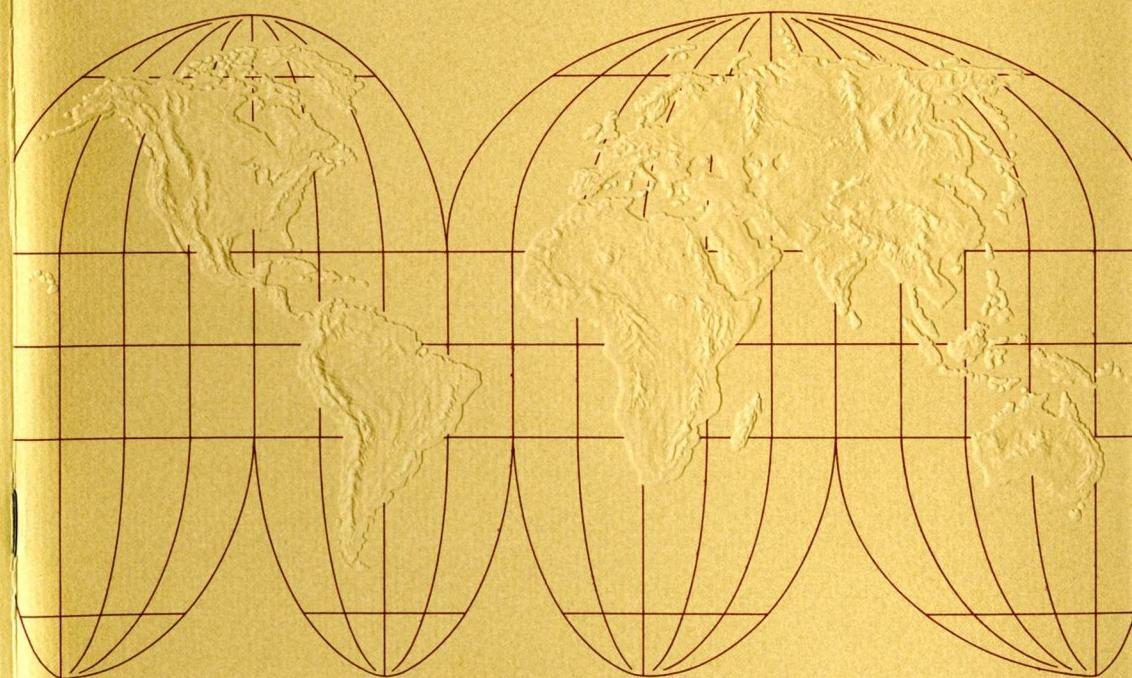
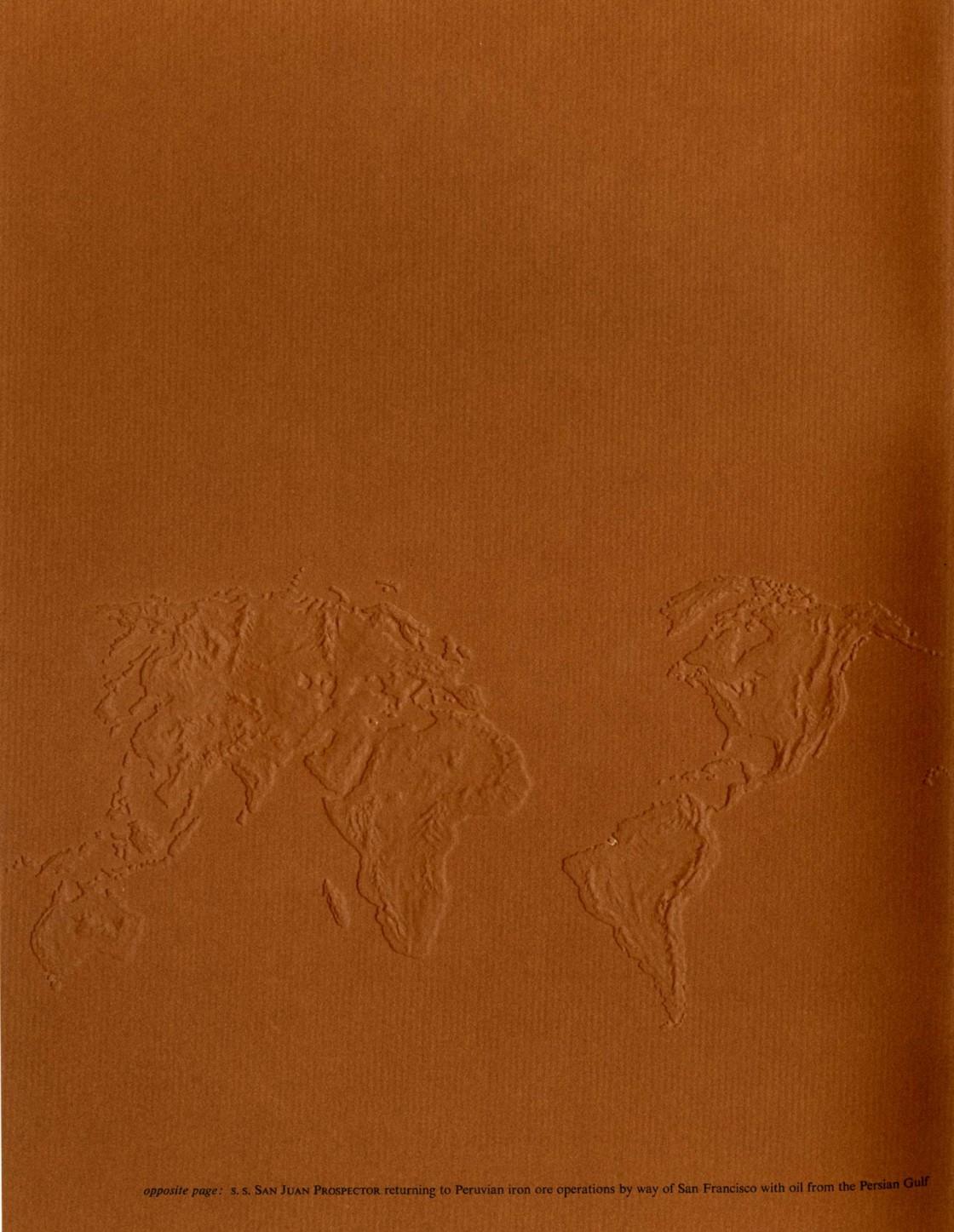


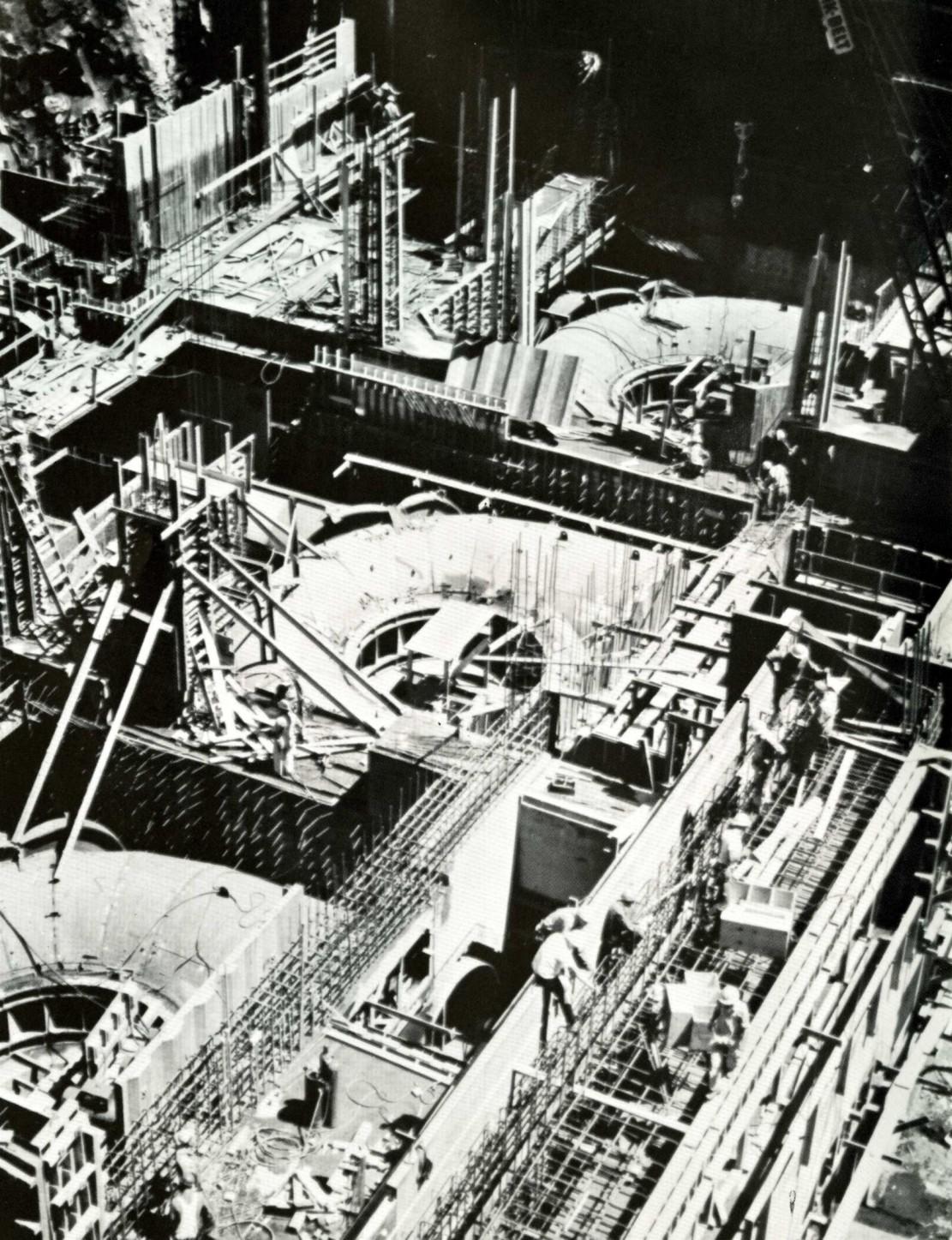
UTAH





opposite page: S. S. SAN JUAN PROSPECTOR returning to Peruvian iron ore operations by way of San Francisco with oil from the Persian Gulf





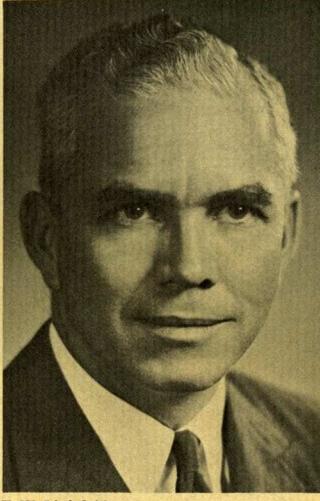
THE YEAR IN BRIEF

	1963	1962
Gross revenue.....	\$77,755,638	\$84,293,644
Net income after taxes.....	7,084,900	9,321,322
Depreciation and depletion.....	6,938,445	6,597,134
Earnings per share.....	1.65	2.17*
Cash dividends per share.....	.90	.87½ *
Stock dividend.....	100%	2%
Book value per share.....	15.45	14.71*
Net worth.....	66,479,882	63,324,284
Long term debt.....	30,220,186	30,910,337
Working capital.....	12,690,890	13,910,223
Net fixed assets.....	30,343,742	28,985,010
Common shares outstanding.....	4,304,206	2,152,103
Number of shareholders.....	3,343	2,835

*Adjusted to give effect to 100% stock dividend issued in May, 1963.



Marriner S. Eccles



E. W. Littlefield

TO OUR SHAREHOLDERS

Your Company's consolidated net income for the fiscal year 1963 was \$7,084,900 or \$1.65 a share, compared with \$9,321,322 or \$2.17 on a comparable number of shares in 1962. The decline was the result of decreased mining and construction income combined with the current costs of several actions which the Company has taken to produce greater long-term profits.

Quarterly dividends of \$17½ a share, after giving effect to the 2 for 1 stock split declared on March 15, 1963, were paid for the first two quarters. The dividend was raised to \$.20 for the third and fourth quarters. An extra \$.15 dividend was paid at year end, bringing the year's total cash dividends to \$.90 a share compared with \$.87½ last year. Consolidated net worth increased by \$3,155,598 to \$66,479,882 from \$63,324,284 in 1962. This produced a corresponding increase in book value from \$14.71 to \$15.45 a share. At year end, working capital was \$12,690,890.

In its Wyoming uranium operations, the Company elected to defer the delivery of a portion of the uranium ore concentrate originally scheduled to be sold to the Atomic Energy Commission during 1963. This was done in anticipation of extending its present contract through 1970 under the new AEC raw materials procurement policy. In exchange for deferring production of some concentrate through 1966, the term of the present agreement, the Company would contract to sell concentrates for two additional years at the present price, to be followed by two years of sales at a reduced price. The effect of this action would be not only to assure four additional years of continuous operations at the Lucky Mc mill, but to enhance considerably the outlook for total uranium profits over the full term of the extended contract.

This year's earnings from the iron ore operations at Cedar City, Utah, were below those of the prior year. However, a significant new development at Cedar City was the signing of a new ore sales contract with United States Steel. The revised contract provides for the utilization of nearly all of Cedar City's known reserves.

The Company's mining affiliate, Marcona Mining Company in Peru, marked

its first ten years of operation and the near completion of a \$50 million expansion program with the first delivery of processed iron ore from its new pelletizing plant. The new facilities will make possible the utilization of Marcona's primary reserves and enable the affiliate to supply premium grade iron ore products to a competitive world market.

San Juan Carriers, Ltd. increased its fleet this year with the delivery of the s.s. SAN JUAN PROSPECTOR and the s.s. SAN JUAN PATHFINDER. These ships, with the s.s. SAN JUAN PIONEER delivered in 1962, are the three largest combination ore-oil carriers in the world. The design of such specialized vessels enables low-cost ocean shipping, and their use is assured by long-term ore delivery contracts with Japanese steel mills.

The initiation of coal mining operations at the Navajo mine, which will supply coal to Arizona Public Service Company for the generation of power, was probably the Company's most significant single development during 1963.

The first two generating units, each rated to produce 175,000 kw in the Arizona utility's Four Corners power plant, were officially dedicated in June and are presently delivering power to the Phoenix area. Construction is now underway on a third unit of 225,000 kw scheduled to be put on line by midyear, 1964. The Navajo Mine produced and sold approximately one million tons in 1963, and it is anticipated that this production will be doubled during the coming year. The earnings from this operation are protected by a long-term contract and have the growth potential of the State of Arizona.

Utah's construction activities, hampered by adverse operating conditions on two major projects, produced lower profits than last year. Heavy floods and resultant washouts seriously delayed the early stages of work on the Oued Nebaana Dam in Tunisia, and changed conditions at Round Butte Dam in Oregon have been a strain on this year's overall construction earnings. Moreover, intense competition for both domestic and overseas work continues throughout the industry. While there has been substantial growth in the volume of work available, this has been accompanied by even greater growth in the size and number of contractors and

their combined capacity.

At the close of the year, the Company's construction backlog was 10 per cent lower than last year. Work was completed on a number of projects, including the Taum Sauk Hydroelectric Project in Missouri and most of the expanded processing facilities at Marcona and Pima. As a partner in joint ventures, Utah was awarded the Wells Hydroelectric Project in Washington, the San Luis Dam and San Luis Canal projects in California, and will sponsor the construction of the Manapouri Tunnel for the Government of New Zealand. Due largely to the excellent results to date on the Snowy Mountain Island Bend Project, the Company's Australian operations are making satisfactory progress.

Dredging operations returned a favorable profit this year, and have a sizable backlog of work, with the ALAMEDA in Japan on a long-term lease and the FRANCISCAN employed in Long Beach, following the completion of a channel clearance project on the Sacramento River.

Satisfactory profits from the Company's land development activities were achieved. Sales of residential acreage to homebuilders at the Alameda and Torrance properties, and commercial and industrial land parcels at Moraga and South San Francisco contributed strongly to the year's successful results.

The Company is actively participating in an investigation of the Mt. Goldsworthy iron ore deposit in Western Australia. Also, metallurgical studies have shown the feasibility of producing iron ore pellets from an ore deposit on Company-controlled lands located near Dayton, Nevada, and marketing efforts are currently underway for the sale of these products to Japanese steel mills. In keeping with a continuing effort to strengthen and diversify the Company's earning power, Utah also has under study a wide range of other projects.

Early in the year, Mr. Joseph K. Allen was elected a Vice President in the Land Development Division. Mr. Allen joined Utah 15 years ago and has been responsible for the Company's industrial real estate development program since its inception in 1955. He has also played a leading role in a wide range of other land development and related real estate ac-

tivities and was closely associated with the Company's early efforts in the acquisition of mineral resource properties.

With deep regret we must report the untimely death in September of Mr. George W. Vaughan, who had served this Company with great distinction as Vice President since 1960. Mr. Vaughan's presence will be greatly missed by all of those privileged to be associated with him.

The excellent progress made at Utah's Navajo coal mine and the improved long range outlook at Cedar City, Lucky Mc, Marcona and San Juan Carriers is most encouraging. With dependable income from diversified investments in land and minerals, your Company is enabled to maintain construction operations in the face of an overly competitive industry. When construction industry conditions improve, Utah has the experience, the capital, and the organization to increase construction earnings as well. With these present programs, the efforts of its employees, and the continued backing from its shareholders and Board of Directors, your Company looks confidently to the future.

Sincerely,

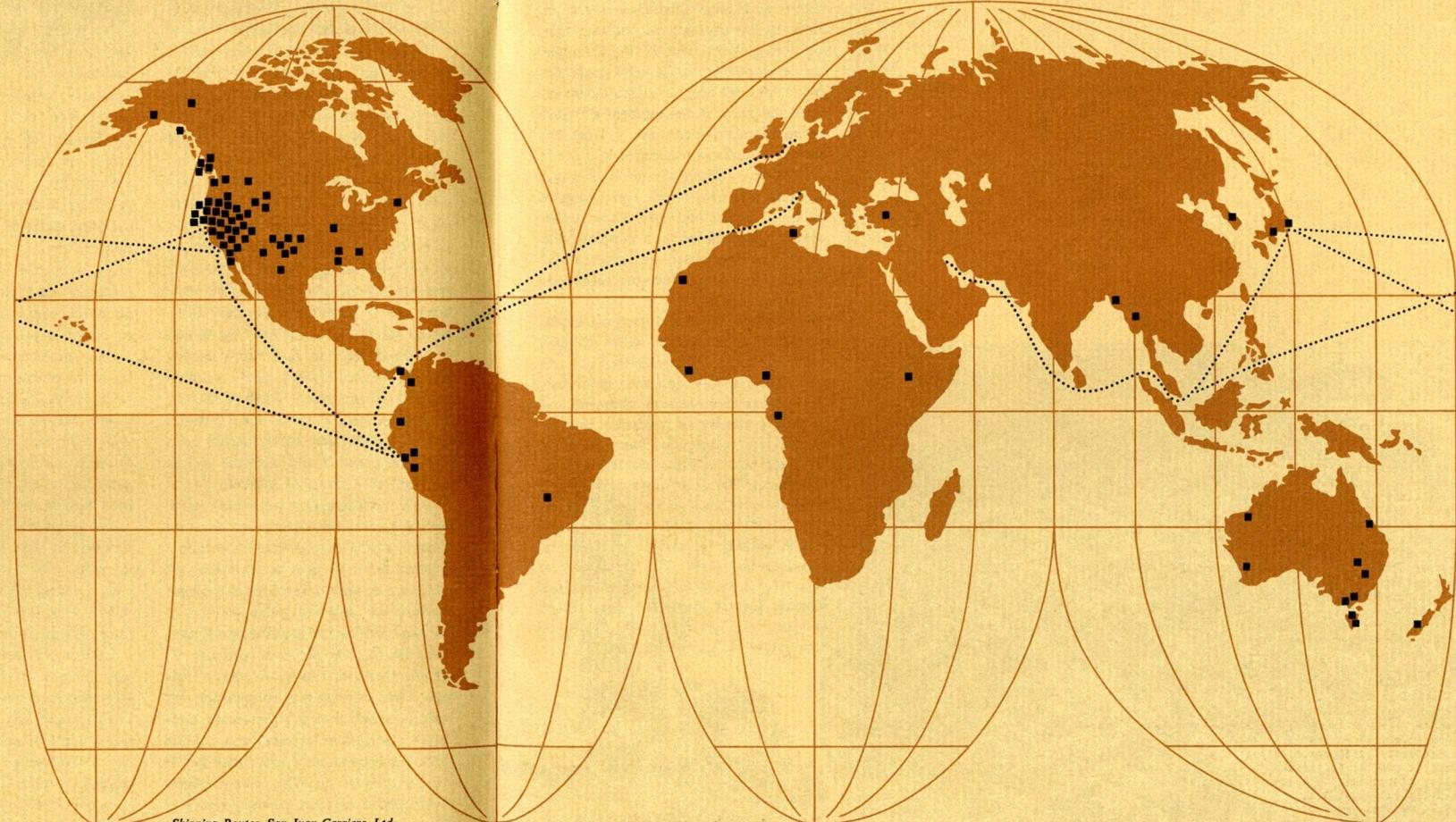
MARRINER S. ECCLES
Chairman of the Board

E. W. LITTLEFIELD
President and General Manager

UTAH CONSTRUCTION & MINING CO.

Current or recently completed
activities and interests

Alameda South Shore Land and Shopping Center; California
Albuquerque Telephone Building; New Mexico
Altona Synthetic Rubber Plant; Australia
Avon Valley Railroad; Australia
Bay Farm Island; California
Beluga—Coal; Alaska
Bowen Basin—Coal; Queensland, Australia
Burnie Breakwater; Australia
Burrard Building; Vancouver, Canada
Capitan—Iron Ore; New Mexico
Castle Air Force Base Hospital; California
Cedar City—Iron Ore; Utah
Chihuahua Dam, Canal, and Land; Mexico
Comilog Railroad; Gabon & French Equatorial Africa
Cia. San Juan Iron Sales; Panama
Conchan Oil Refinery; Lima, Peru
Craig—Coal; Colorado
Cumbaya Project; Ecuador
Dayton—Iron Ore; Nevada
De Anza Vista Residential Development; California
Dredging; Osaka, Japan
El Segundo Industrial Park; California
Gladding McBean Sand Plant; California
Japanese Industrial Land Development Co., Ltd.; Tokyo, Japan
Karnafuli Dam; Chittagong, Pakistan
Kennecott Mill; Utah
Long Beach Harbor; California
Lucky Mc—Uranium; Wyoming
Main Linden Air Center; Georgia
Manapouri Tunnel; New Zealand
Marcona Mining Company; Peru
Microwave Plant; California
Moraga Land Development; California
Mt. Andrew-Poorman—Iron, Copper; Alaska
Mt. Lyell—Ore Stripping; Australia
Mt. Goldsworthy—Iron Ore; West Australia
Navajo Dam, Powerhouse Facilities and Coal Mine; New Mexico
NORAD Air Defense Center; Colorado
Oakland Garage and Heliport, Airport Terminal; California
Old River Locks Dam; Louisiana
Oued Neba Dam; Tunisia
Palo Alto Metallurgy Laboratory and Design Engineering; California
Pauma Valley Land and Golf Club; California
Philco Research Center; California
Phoenix Telephone Building; Arizona
Phosphate Deposit; Spanish Sahara
Pima Mining Co.; Arizona
Potash Deposit; Ethiopia
Riverdale Park, Ltd.; Canada
Round Butte Dam; Oregon
Sacramento River Dredging; California
St. Lawrence Seaway; New York
San Jose Bay Mart; California
San Juan Carriers, Ltd.; Liberia
San Leandro Harbor Dredging; California
San Luis Canal and Dam; California
San Nicolas Expansion; Peru
Schilling AFB Missile Base; Kansas
Seattle Garage; Washington
Shirley Basin—Uranium; Wyoming
Snowy Mt. Dams and Tunnels; New South Wales, Australia
South San Francisco, Industrial Park and Maintenance Base; California
Stanford University Student Housing; California
Stanvac Petrochemical Plant; Australia
Table Rock Dam; Missouri
Taum Sauk Dam and Powerhouse; Missouri
Thunder Mountain—Iron; Montana
Tin; Australia
Torrance Land Project; California
Tres Maria Dam; Brazil
Troneras Dam; Colombia
Tungsten Deposit; Korea
University of California Business Administration Building; California
University of Nigeria Center; Nigeria
Vallejo Small Craft Harbor; California
Vandenberg Village; California
Warren AFB Minuteman Facilities; Wyoming
Wells Dam; Columbia River
West Barwon Dam; Australia
Yanhee Dam; Thailand



THREE GENERATIONS OF PROGRESS...

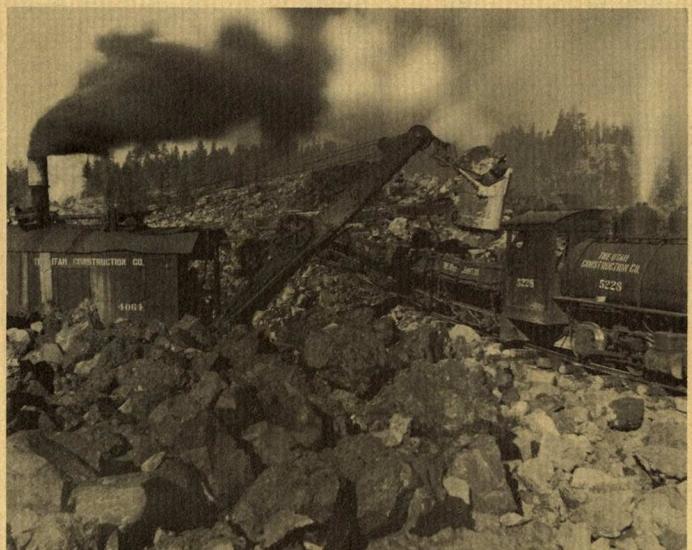
Shortly after its founding, some 60 years ago, Utah Construction & Mining Co. played a major role in the opening of the West, building 700 miles of Western Pacific Railroad trackage through California's Feather River Canyon. In later decades Utah was a prominent participant in the construction of Boulder, Grand Coulee and Bonneville dams. The San Francisco-Oakland Bay Bridge, Alcan Highway and St. Lawrence Seaway followed. In subsequent years, Utah's portfolio has seldom been without a construction project of this magnitude.

The post-war period, however, has witnessed some significant changes in the nature of Utah's activities and growth. Since its introduction to contract mining during World War II, the Company has developed its own mineral properties and maintains a program of mining operations and mineral development activities embracing several continents. Utah has become a leading producer of iron ore in the Western United States and South America and also mines and processes uranium, copper and coal. These activities are complemented by a shipping affiliate's fleet of specialized ore carriers which transport iron ore products to steel makers throughout the world.

Utah has also applied its construction experience and resources to the creation and improvement of land. In the Southern California and San Francisco Bay areas, the Company has under development and for sale a number of residential and industrial land properties. Other properties are being held for future development or investment. The Company's construction portfolio continues to be a sign of the times, containing military defense projects in addition to a heavy backlog of conventional work. The last ten years have also seen Utah's annual earnings increase several times over prior levels and the formation of the vast majority of total growth in shareholders' equity.

left: Preparing section of railroad bed during early 1900's

right: Atlas "F" missile in readiness, over silo built by Utah joint venture at Schilling Air Force Base, Kansas



DESCRIPTION OF OPERATIONS

MINING Utah continues to derive a major share of its income from the extraction and sale of basic minerals: iron ore, uranium, copper and coal. With the addition of income from the Navajo Mine in New Mexico and the major contract modifications at Cedar City and Lucky Mc, your company has insured the continuity of profits from these operations well into the future.

IRON Recent developments at Cedar City, Utah, and San Nicolas, Peru, have greatly enhanced the long-term outlook for your Company's iron ore mining operations. Negotiations with U.S. Steel have resulted in a favorable new agreement which, while possibly reducing any one year's sales in the event of a temporary decline in the ore requirements of the Columbia-Geneva mill, extends ore sales by approximately eight years until 1975. The extension, providing for the delivery of an additional 4.4 million tons of beneficiated ore, will enable the Company to utilize nearly all of the remaining known reserves in its Iron Springs deposits near Cedar City.

Marcona Mining Company, in which Utah holds 50% voting and 41.39% equity interests, has set into motion its expanded facilities for the large-scale concentration and pelletizing of crude ore and is now shipping high-grade sinter and pellet products to customers throughout the world.

With its modern deepwater port facilities, Marcona has the ability to accommodate the largest, most economical vessels employed in the iron ore trade today. The advantages of premium quality products, year-round operating climate, a downhill haul from mine to port, and efficient ocean transportation will enable Marcona to compete for an increasing share of expanding foreign markets.

With the increased investment in Marcona, the Company has expressed its confidence in the political and economic stability of Peru. It is believed that this country has long been among the most dependable in South America and has an awareness of the economic gains to be realized by maintaining a favorable investment climate.

This year's ore shipments from Marcona, some 5 million tons, were 15% above last year and far in excess of the 2 million ton average during the 1950's. With the expanded



Dragline for stripping overburden, Navajo Coal Mine, New Mexico



facilities, total production capacity advanced to 6 million tons per year. In spite of increased output, Marcona's earnings were slightly down from last year due to lower profit margins and the startup costs of the new facilities. Utah's share of earnings, after allowance for distribution taxes, was \$1,550,770.

OCEAN SHIPPING AND ORE SALES

Utah owns a 41.47% interest in the equity stock and a 50% interest in the voting stock of Cia. San Juan, S.A., an affiliate whose principal role is the marketing and transporting of Marcona ore. Cia. San Juan's wholly owned subsidiary, San Juan Carriers, Ltd., owns eight ships which transport the ore under long-term contract from Marcona to steel producers throughout the world. This year, two 71,000 deadweight ton ore-oil carriers joined the shipping affiliate's fleet, raising its total capacity to 390,000 tons. Supplemented by 124 chartered vessels, San Juan moved 38 billion ton-miles of iron ore to steelmakers in Asia, Europe, and North and South America. Although profit margins were still under the influence of low charter rates established in 1962, Utah's share of Cia. San Juan's consolidated earnings, after distribution taxes, increased to \$1,334,874 from \$1,038,694 in 1962.

COPPER With the completion of a \$4,000,000 expansion of Pima Mining Company's crushing and concentrating facilities, the capacity of these copper operations will be expanded from 3,800 to 7,600 tons daily. The expansion program has extended the life of the mine until 1975 by enabling the utilization of lower grade ores. Enhanced by price stability in the industry, your Company's 25 per cent share of Pima's earnings, after distribution taxes, was \$537,888, an improvement over last year.

COAL The June 21st dedication of Utah's Navajo Mine and Four Corners Power Plant of Arizona Public Service Co. marked the Company's entry into a new field of operations and is one of its most significant developments in several years. Under a 35-year contract with an option to renew for an additional 15 years, Utah provides coal to the Arizona utility for the production of electricity. Annual sales, which currently run at a rate of 1.6 million tons per year, will increase to 2.6 million tons in 1964 and should reach 3.6 million tons under the options

Pelletizing plant, Marcona Mining Company, San Nicolas, Peru

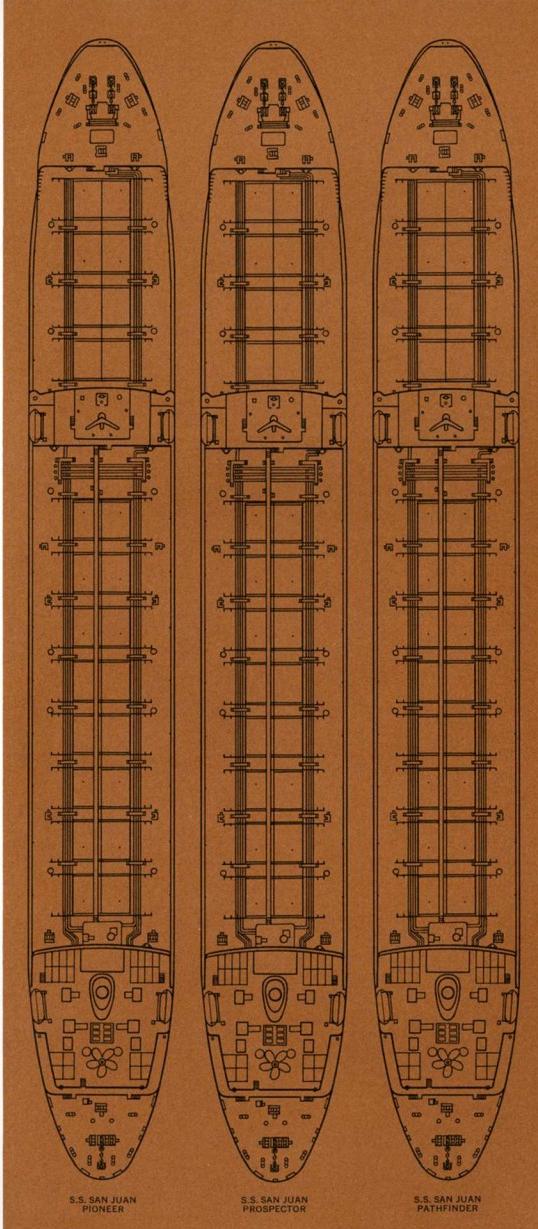
available to APS. The present agreement provides for coal mining for an eventual plant of 800,000 kw. The reserves of the Navajo Mine, however, approach 600 million tons, less than half of which is committed to Arizona Public Service. The significance of this operation to Utah lies not only in its present earnings, but also its expansion potential. These earnings have the protection of very long-term contracts and the inherent stability and growth characteristics of the electric utility industry.

URANIUM Negotiations are currently underway with the Atomic Energy Commission to extend through 1970 the Company's contract to provide uranium from Lucky Mc and Shirley Basin. The original contract with the AEC called for uniform annual deliveries through 1966. In exchange for stretching out these deliveries through 1968, the AEC will purchase two additional year's requirements at a reduced price. Another advantage of the new program will be the opportunity for the Company to consolidate its controlled allocations and to supply concentrate from those properties which allow optimum economy and operating flexibility. While reducing current profits, the new contract will produce greater total earnings and help Utah maintain active uranium operations until the large-scale application of nuclear fuels to peacetime uses becomes economically feasible. When that time arrives, Utah should be in an excellent position to compete for private sales and will have reserves sufficient to support many years of uninterrupted production.

MINERAL DEVELOPMENT & GEOLOGY
In a joint venture with Cyprus Mines Corporation and Consolidated Goldfields of South Africa, Ltd., Utah has directed a considerable portion of this year's development expenditures toward the completion of drilling and economic evaluation of the Mt. Goldsworthy iron ore properties in Western Australia. An export license for the annual shipment of 4 million tons has now been granted. Marketing efforts and selection of a suitable port site have become the major areas of endeavor.

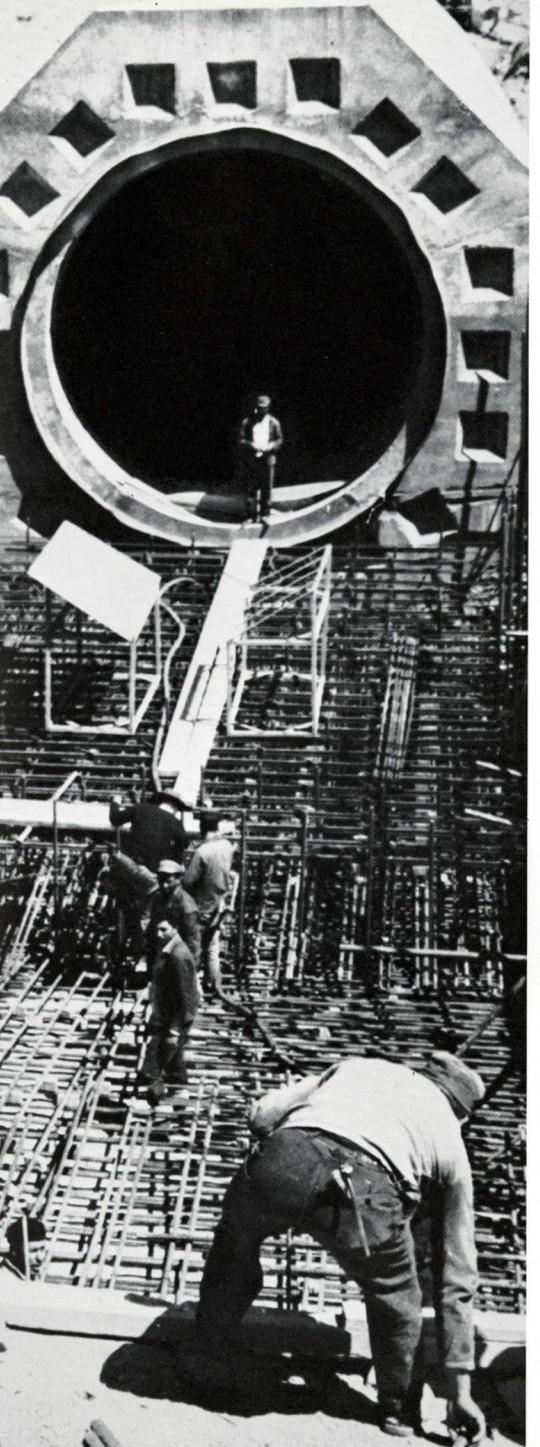
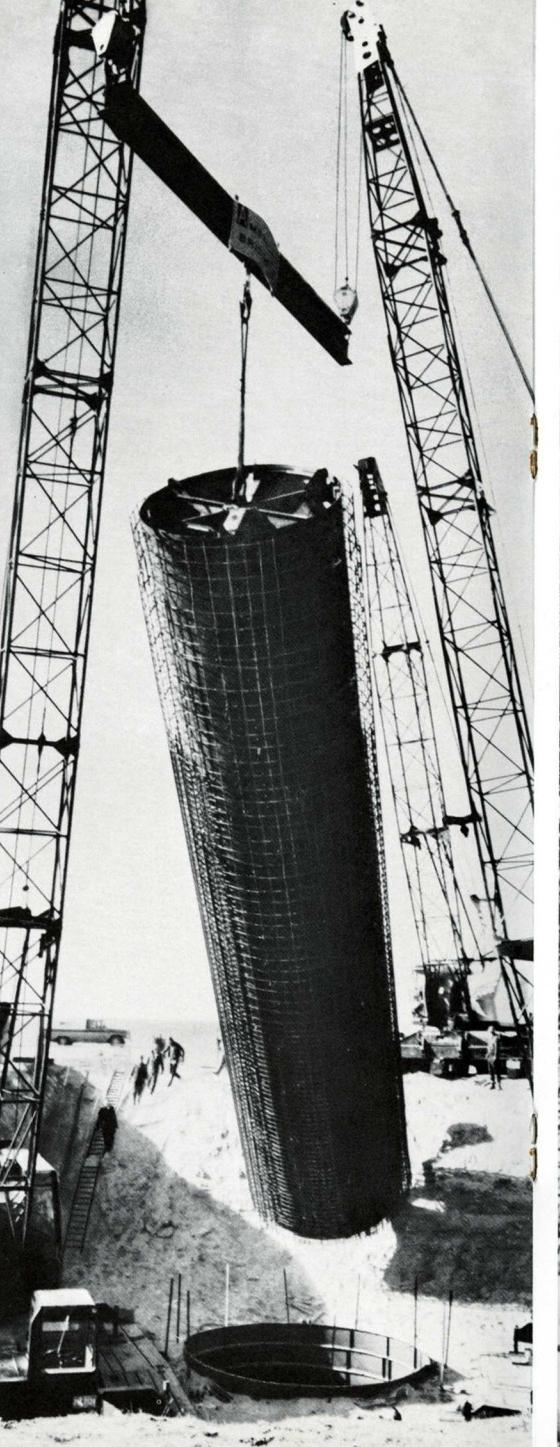
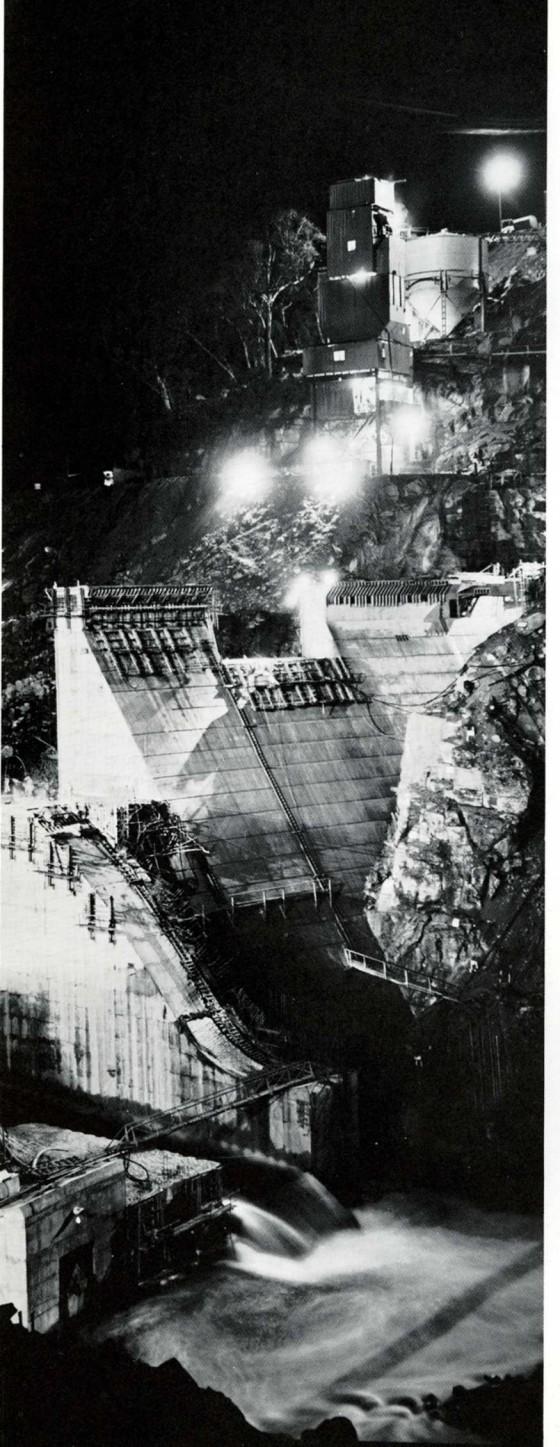
opposite page:

1. Ore processing facilities, Pima Mining Company, Arizona
2. Iron ore mine, Cedar City, Utah
3. Power Plant and coal handling facilities on Navajo Indian Reservation, New Mexico
4. Testing sample with X-ray spectrometer, Ore Dressing Laboratory, Palo Alto, California
5. Weighing-out uranium concentrate, Lucky Mc mill, Wyoming



The ore-oil carriers, SAN JUAN PIONEER, SAN JUAN PROSPECTOR, and SAN JUAN PATHFINDER, have the combined cargo capacity of 19 World War II Liberty ships.

Particulars: Length, 835 feet; Breadth, 106 feet; Depth, 65 feet; Dead-weight Capacity, 71,000 long tons; Ore Hold, 1,300,000 cubic feet; Cargo Oil Tank, 3,200,000 cubic feet; Full Load Speed, 17 knots; Cruising Range, 24,000 nautical miles.



Near Dayton, Nevada, the Company controls one of the larger proven iron ore reserves in the western United States. Geological studies, mine layout and beneficiation plans are essentially complete, and emphasis has been directed toward the development of a suitable market. Current sales negotiations are aimed at exporting one million tons of beneficiated iron ore products annually.

Additional expenditures of \$1,074,858 were made on mineral development and exploratory activities in areas which offer worthwhile economic opportunities at tolerable levels of risk.

CONSTRUCTION Utah closed the year with its backlog of uncompleted work divided almost equally between domestic and overseas locations. Joint venture participations in the San Luis Dam and the San Luis Canal, two primary units of California's Central Valley Project, and the Wells Hydroelectric Project on the Columbia River, Washington, will replace the nearly completed Taum Sauk pump storage facility in Missouri. Results at Round Butte Dam, near Madras, Oregon, have been very disappointing. Work there has been accelerated, however, and is expected to be finished, ahead of schedule, in the summer of 1964. The NORAD underground defense center near Colorado Springs, Colorado, and Minuteman facilities at Warren Air Force Base, Wyoming, are progressing smoothly and are expected to be near completion toward the end of the coming fiscal year.

The Company completed three industrial construction projects this year: the Gladding-McBean sand plant at Ione, California, the expanded ore-processing facilities for the Pima Mill in Arizona, and the Kennecott Copper grinding mill in Utah. Rounding out the Company's building activities in California were the Alameda County Heliport-Garage in downtown Oakland; Barrows Hall, a nine-story building for the University of California, Berkeley; and a fifty-bed hospital building at Castle Air Force Base.

Work was completed this year on the Yandee Dam in Thailand; the Karnafuli Hydroelectric Project, Pakistan; the Comilog Railway in the Congo; and several of Marcona's new mine and mill facilities at San

far left: Night operations, Island Bend Project, Australia

middle: Installing Minuteman silo liner, Warren Air Force Base, Wyoming

left: Laying foundation for irrigation control gate, Oued Nebaana Dam, Tunisia



Nicolas, Peru. In Tunisia construction is finally getting underway on a rockfill dam for the Tunisian Government. Utah has also undertaken the construction of a University Center in Nigeria and the expansion of Standard Oil's Conchan Refinery in Peru.

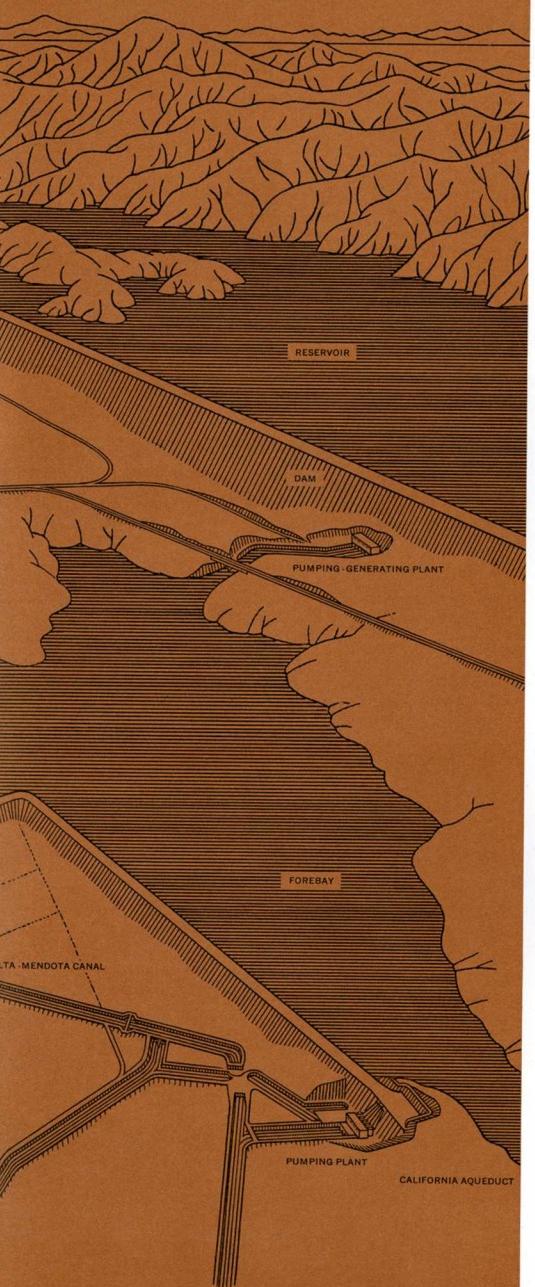
Utah is now sponsoring the construction of the six-mile, thirty-foot diameter Manapouri Tunnel in New Zealand. The Company's Australian subsidiary is building the Burnie Breakwater in Tasmania and the West Barwon Dam in Victoria. The largest Australian project is the construction of a concrete dam and excavation of 18 miles of 20-foot diameter tunnel near Island Bend, part of the nation's Snowy Mountain plan. Work there has made excellent progress to date, and is now nearing the halfway mark. In addition to such heavy construction, the Company's Australian operations included several industrial projects.

At the close of the year, the Company was giving consideration to major projects in the United States and other parts of the Western Hemisphere and also in Australia, Africa and Asia. Estimating work has been facilitated by the implementation of a newly-developed electronic data processing system which aids in the computation of bid proposals, giving estimators improved speed and flexibility.

DREDGING With its two large dredges actively employed over most of the year, the Company's dredging operations were highly satisfactory. The ALAMEDA maintained operations near Osaka, Japan, under a long-term lease to Japan Industrial Land Development Co., Ltd. Utah continues to provide technical assistance for this reclamation project and has an equity interest in JILD, with a number of prominent Japanese firms. The FRANCISCAN completed a channel clearance project on the Sacramento River, California, for the U.S. Army Corps of Engineers and has now begun new operations at the Long Beach Harbor.

LAND DEVELOPMENT In its land development activities, the Company has acquired a portfolio of income-producing properties and strategically located land to be held for investment or developed as building sites for industrial or residential purposes. During the year, sales of land from the Alameda, South San Francisco, and Torrance properties were particularly successful.

Final stages of work at Yanhee Dam, Thailand



Utah is a major participant in the construction of the San Luis Unit of California's vast Central Valley Federal Reclamation Project. The San Luis Unit will store winter rainfall and utilize, during the irrigation season, water which normally would flow unused into the Pacific Ocean.

ALAMEDA Utah developed some 400 acres of useful land by reclaiming a tideland area on the south shore of the City of Alameda. The Company built and leases 231,000 square feet of shopping center stores and buildings on 60 acres of this property. Two of the major problems encountered on the project for the last several years were brought to a successful conclusion, and earlier unsatisfactory operating results were reversed. A major portion of the remaining land has been sold and developed into residential lots, and all but ten acres of the unsold land is currently under option to private contractors.

Utah's 900 acre Bay Farm Island, located adjacent to the Alameda project, remains undeveloped.

EL SEGUNDO On 197 acres acquired to participate in Southern California's rapid industrial expansion, the El Segundo Industrial Park continues to offer a broad variety of design, construction and financial arrangements to potential occupants. The standard of present tenants and the quality of their facilities have served to enhance this industrial property. Of the 140 acres developed thus far, 91 acres are available for sale. Recently, there has been increased interest in the property by prospective users.

MORAGA In 1954, Utah acquired control of 5,000 acres of land in the Moraga Valley in the San Francisco Bay Area. The gradual improvement and sale of this land for residential and commercial purposes has yielded a satisfactory profit. Developmental activities have been essentially terminated, and more than one-half of the original acreage is being held as an investment. This year, two transactions, including the sale of a large parcel for the construction of a shopping center, were completed, leaving an inventory of approximately 3,030 unsold acres.

PAUMA VALLEY Located at the foot of Mount Palomar near San Diego, Utah owns 1,451 acres of land suitable for residential use, surrounding the Pauma club facilities and golf course designed by Robert Trent Jones. Litigation has delayed the development of this project, but the Company is hopeful of starting an integrated program of lot sales and home development in the coming fiscal year.

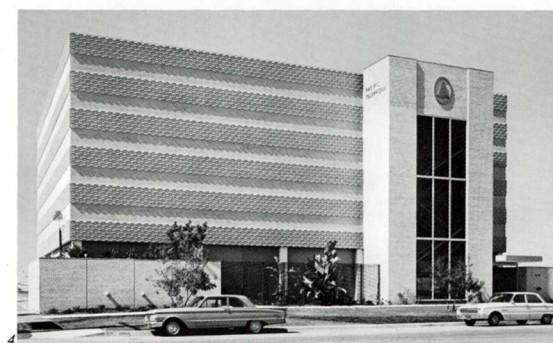
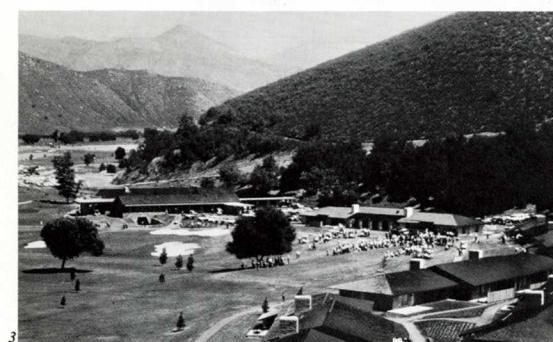
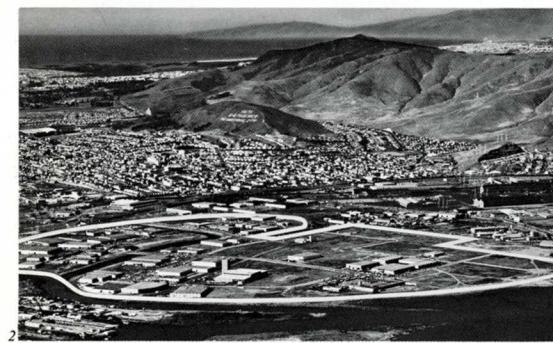
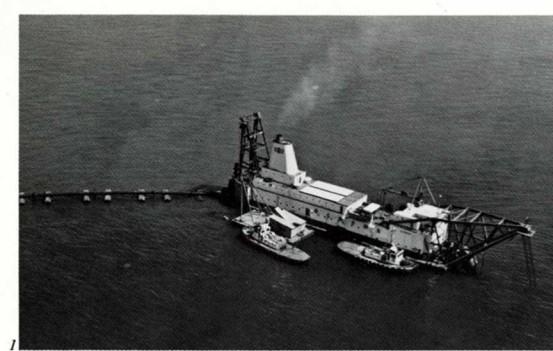
SOUTH SAN FRANCISCO INDUSTRIAL PARK The pace of this year's sales and leasing activity

*opposite page: NORAD underground command headquarters, Colorado, courtesy *Life Magazine* © 1963 Time Inc.*

at Utah's South San Francisco Industrial Park, which was developed by filling marshlands acquired in 1955, has exceeded expectations. The Park, located in the vicinity of the San Francisco International Airport, is now occupied by many nationally prominent firms. During the past 12 months, 70 acres were sold or leased, and, at year end, a number of additional transactions were in various stages of negotiation, reducing the uncommitted portion to 77 acres. Sales efforts in the future will find added competition from a 600 acre park being developed on an adjacent property.

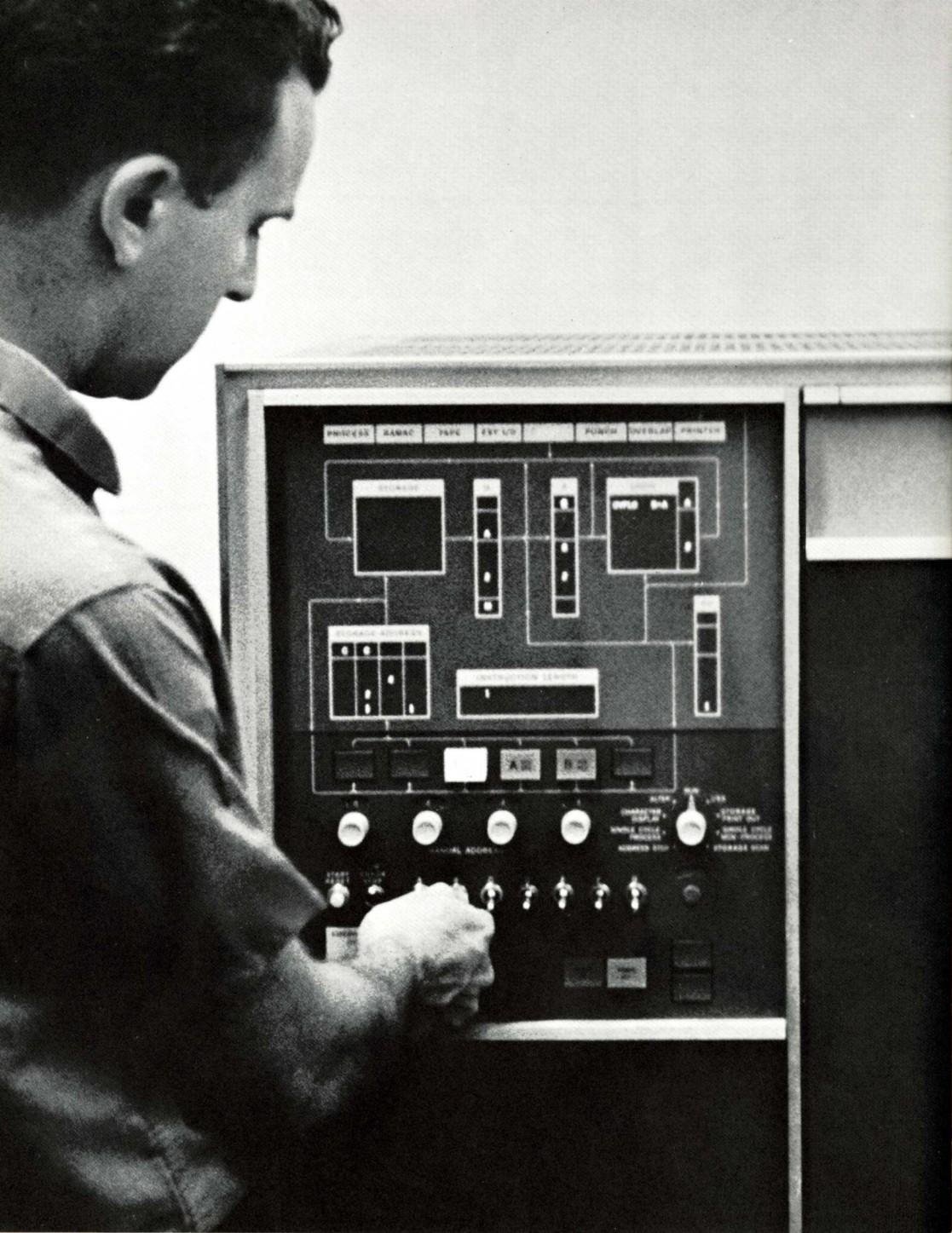
VANDENBERG VILLAGE Vandenberg Village, consisting of 3,000 acres of optioned property located adjacent to Vandenberg Air Force Base, is a complete residential community. A golf and country club, motel facilities, and a shopping center represent the focal points of the project. As of the year end, 350 acres, including 1,100 developed residential lots, have been sold. Due to a leveling off in operations at the military base, home sales in the area have declined to such an extent that local builders own a surplus of completed and unoccupied units, a number of which are located within Vandenberg Village. It now appears that the sale of the Company's inventory of lots may require more time than was originally anticipated.

TORRANCE The Company now holds 102 acres of a 219 acre land parcel purchased at Torrance, California. This year, 83 acres were sold to a contractor who is building a number of homes. Sale of the 11 acres zoned for commercial development is imminent.



opposite page:
1. Dredge ALAMEDA operating with Japanese Industrial Land Development Co., Japan
2. Utah's South San Francisco Industrial Park
3. Pauma Valley Golf and Country Club, Southern California
4. Pacific Telephone building on Company's El Segundo Industrial Park

center: Alameda South Shore development, comprising shopping center and land for single and multiple housing projects



opposite page: Operating computer at Utah's Salt Lake City Data Processing Center

ARTHUR ANDERSEN & Co.

600 CALIFORNIA STREET
SAN FRANCISCO 8

To the Board of Directors,
Utah Construction & Mining Co.:

We have examined the consolidated balance sheets of UTAH CONSTRUCTION & MINING CO. (a Delaware corporation) and subsidiaries as of October 31, 1963 and 1962, and the related statements of income and earned surplus for the two years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheets and statements of income and earned surplus present fairly the financial position of Utah Construction & Mining Co. and subsidiaries as of October 31, 1963 and 1962, and the results of their operations for the two years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the two years.

San Francisco, California,
December 10, 1963.

CONSOLIDATED BALANCE SHEETS

ASSETS

CURRENT ASSETS:

	1963	1962
Cash.....	\$ 2,031,771	\$ 4,500,408
Certificates of Deposit.....	619,250	—
Accounts and notes receivable from operations.....	17,191,415	17,960,780
Inventories, at the lower of cost or market—		
Mining.....	2,471,475	2,722,938
Construction.....	1,766,693	2,281,265
Prepaid expenses.....	2,235,083	1,943,850
Total current assets.....	<u>\$ 26,315,687</u>	<u>\$ 29,409,241</u>

INVESTMENTS:

Affiliated companies (Note 1).....	\$ 29,158,570	\$ 25,423,904
Equity in joint ventures.....	4,117,369	2,806,302
Land and real estate—		
Land held for development and sale, less purchase money obligations (Note 2).....	9,530,123	12,076,227
Land held for investment.....	3,105,184	2,885,832
Improved real estate held for investment, less accumulated depreciation of \$1,664,226 in 1963 and \$1,341,699 in 1962.....	12,701,412	10,139,204
	<u>\$ 58,612,658</u>	<u>\$ 53,331,469</u>

OTHER ASSETS:

Long-term receivables.....	\$ 3,990,329	\$ 5,417,314
Other.....	1,411,510	2,562,953
	<u>\$ 5,401,839</u>	<u>\$ 7,980,267</u>

CONSTRUCTION AND MINING EQUIPMENT AND FACILITIES, at cost:

Construction equipment and facilities.....	\$ 23,330,639	\$ 22,941,561
Mining lands, leases and development costs.....	9,230,827	8,120,025
Mining equipment and facilities.....	25,188,362	23,361,109
	<u>\$ 57,749,828</u>	<u>\$ 54,422,695</u>
Less—Accumulated depreciation and depletion.....	27,406,086	25,437,685
	<u>\$ 30,343,742</u>	<u>\$ 28,985,010</u>
	<u>\$120,673,926</u>	<u>\$119,705,987</u>

OCTOBER 31, 1963 and 1962

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

	1963	1962
Current portion of bank loans, notes and contracts payable.....	\$ 2,689,557	\$ 3,691,340
Accounts payable.....	6,035,493	6,738,833
Accrued liabilities.....	4,162,770	3,510,464
Accrued income taxes.....	736,977	1,558,381
Total current liabilities.....	<u>\$ 13,624,797</u>	<u>\$ 15,499,018</u>

LONG-TERM LIABILITIES:

5 3/4% note payable to insurance company, due in varying installments from February 1, 1966 to 1981 (Note 3).....	\$ 20,000,000	\$ 20,000,000
4 3/4% notes payable to bank, due on or before October 31, 1968.....	5,000,000	4,500,000
5 3/4% bank loan, secured by improved real estate.....	1,050,000	1,500,000
Notes and contracts payable, due in variable installments to 1979.....	4,170,186	4,910,337
Deferred income taxes.....	8,208,734	8,115,920
Other.....	2,140,327	1,856,428
	<u>\$ 40,569,247</u>	<u>\$ 40,882,685</u>

STOCKHOLDERS' EQUITY:

Capital stock, par value \$2 per share—		
Authorized—10,000,000 shares		
Outstanding—4,304,206 shares in 1963 and 2,152,103 in 1962 (Note 4).....	\$ 8,608,412	\$ 4,304,206
Capital surplus (Note 4).....	2,916,893	7,221,099
Earned surplus, including equity in undistributed earnings of affiliates (Notes 1 and 3).....	55,010,571	51,798,979
Treasury stock, 2,172 shares at cost.....	(55,994)	—
	<u>\$ 66,479,882</u>	<u>\$ 63,324,284</u>
	<u>\$120,673,926</u>	<u>\$119,705,987</u>

The accompanying notes are an integral part of these balance sheets.

STATEMENT OF CONSOLIDATED INCOME FOR THE YEARS ENDED OCTOBER 31, 1963 and 1962

	1963	1962
INCOME:		
Gross revenues from operations (Note 5).....	\$77,755,638	\$84,293,644
Costs and expenses.....	<u>70,887,378</u>	<u>72,227,299</u>
Gross profit from operations.....	<u>\$ 6,868,260</u>	<u>\$12,066,345</u>
Equity in net income of—		
Affiliates (Note 1).....	4,266,699	3,988,667
Joint ventures (Note 5).....	<u>2,729,010</u>	<u>1,252,379</u>
Gain on sale of property and investments.....	610,153	470,810
Interest.....	520,024	569,472
Other income (expense).....	<u>(257,945)</u>	<u>179,522</u>
	<u>\$14,736,201</u>	<u>\$18,527,195</u>
EXPENSES:		
General and administrative.....	\$ 3,867,913	\$ 3,655,185
Employees' retirement plan provision.....	385,000	483,000
Interest.....	<u>2,321,388</u>	<u>2,159,688</u>
	<u>\$ 6,574,301</u>	<u>\$ 6,297,873</u>
NET INCOME BEFORE INCOME TAXES	<u>\$ 8,161,900</u>	<u>\$12,229,322</u>
PROVISION FOR INCOME TAXES	<u>1,077,000</u>	<u>2,908,000</u>
NET INCOME	<u><u>\$ 7,084,900</u></u>	<u><u>\$ 9,321,322</u></u>

STATEMENT OF CONSOLIDATED EARNED SURPLUS FOR THE YEARS ENDED OCTOBER 31, 1963 and 1962

	1963	1962
BALANCE BEGINNING OF YEAR	\$51,798,979	\$47,909,932
ADD—NET INCOME.....	<u>7,084,900</u>	<u>9,321,322</u>
	<u>\$58,883,879</u>	<u>\$57,231,254</u>
DEDUCT—DIVIDENDS (Shares and per share amounts after giving effect retroactively to the stock split in 1963—Note 4):		
Cash—\$.90 per share in 1963 and \$.87½ per share in 1962.....	\$ 3,873,308	\$ 3,753,307
Stock—82,912 shares at \$20.25 per share	<u>—</u>	<u>1,678,968</u>
	<u>\$ 3,873,308</u>	<u>\$ 5,432,275</u>
BALANCE END OF YEAR , including equity in undistributed earnings of affiliates (Notes 1 and 3).....	<u><u>\$55,010,571</u></u>	<u><u>\$51,798,979</u></u>

The accompanying notes are an integral part of these statements.

	1963	1962
	<u>\$77,755,638</u>	<u>\$84,293,644</u>
	<u>70,887,378</u>	<u>72,227,299</u>
	<u>\$ 6,868,260</u>	<u>\$12,066,345</u>

	1963	1962
	4,266,699	3,988,667
	<u>2,729,010</u>	<u>1,252,379</u>
	610,153	470,810
	520,024	569,472
	<u>(257,945)</u>	<u>179,522</u>
	<u>\$14,736,201</u>	<u>\$18,527,195</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OCTOBER 31, 1963

1. The consolidated financial statements include the accounts of Utah Construction & Mining Co. and all subsidiary companies, after elimination of significant intercompany items and transactions. In addition, the statements reflect Utah's equity in the net earnings of affiliated companies in which Utah does not have a majority interest. Estimated income taxes payable on such earnings when distributed have been provided in the accompanying financial statements. The equity in the earnings of these affiliates has been computed based upon the reports submitted by the respective companies, some of which are unaudited.

The composition of Utah's investment in affiliated companies is shown below:

	1963	1962
Equity in undistributed earnings of affiliates—		
Included in earned surplus	\$21,833,596	\$18,677,589
Included in liability for deferred income taxes (payable upon distribution of earnings)	5,190,469	4,477,057
Cost of investments	\$27,024,065	\$23,154,646
Noncurrent advances	1,760,405	1,630,058
	374,100	639,200
	<u>\$29,158,570</u>	<u>\$25,423,904</u>

2. The company and its consolidated subsidiaries have entered into various agreements for the acquisition of land to be developed and sold. Among other things, these agreements generally provide that the related obligations will mature only as the company chooses to develop individual units or parcels. Further, such obligations, amounting to \$6,764,108 at October 31, 1963, and \$8,864,919 at October 31, 1962, are secured only by the related land and do not represent claims against other corporate assets.

3. The company's long-term loan agreements contain certain restrictive provisions, including a limitation on the payment of cash dividends and on the purchase or redemption of its outstanding capital stock. Consolidated earned surplus in the amount of \$9,121,615 was free of such restriction at October 31, 1963.

4. The \$4,304,206 decrease in capital surplus in 1963 resulted from the capitalization of the par value (\$2.00 per share) assigned to 2,152,103 shares of capital stock distributed to stockholders in a 2-for-1 stock split, effected in the form of a stock dividend.

5. Major construction contracts may extend over a period of years. Accordingly, the company reports income from its construction contracts on a percentage-of-completion basis. The company's share of income from joint-venture construction contracts is reported in the same manner, based upon reports submitted by the respective joint ventures, some of which are unaudited.

Proceeds from claims against owners, or price adjustments arising out of construction contracts, are recorded in the year such claims are resolved. No significant items of this nature were recorded in 1963 or 1962.

6. Contingent liabilities include the usual liability of contractors for performance and completion of both company and joint venture contracts. In addition, the company was contingently liable at October 31, 1963, for obligations of an affiliated company in the amount of \$1,125,000 and for the guarantees of notes receivable of \$537,000 sold to a bank. The company has entered into a long-term lease agreement for equipment requiring payments of approximately \$420,000 annually for a now-remaining period of 10 years.

7. The accompanying statement of income includes provisions for depreciation and depletion of \$6,938,445 in 1963 and \$6,597,134 in 1962.

8. The company is defendant to certain pending litigation arising out of the 1960 merger with Lucky Mc Uranium Corporation. Management and counsel are of the opinion that the company's position is correct and sound, and the action is being vigorously defended. Accordingly, no provision for such litigation has been made in the accompanying financial statements.

FIVE YEAR COMPARISON (CONSOLIDATED) YEAR ENDED OCTOBER 31

	1963	1962	1961	1960	1959
Gross revenue.....	\$ 77,755,638	\$ 84,293,644	\$ 81,091,306	\$69,179,046	\$75,072,287
Net income:					
Before income taxes.....	8,161,900	12,229,322	13,167,151	11,239,687	10,722,137
After income taxes.....	7,084,900	9,321,322	9,774,151	9,134,687	8,362,137
Per share after income taxes*.....	.65	2.17	2.27	2.12	1.94
Dividends paid:					
Cash.....	3,873,308	3,753,307	3,376,149	2,496,702	2,229,951
Capital stock.....	100%	20%	2%	2%	—
Per share*.....	\$.90	\$.87½	\$.78	\$.58	\$.52
Common stock:					
Shares outstanding*.....	4,304,206	2,152,103	2,110,647	2,069,883	2,029,858
Number of shareholders.....	3343	2835	2633	2550	732
Total assets.....	\$120,673,926	\$119,705,987	\$105,828,510	\$93,747,407	\$92,345,928
Working capital.....	12,690,890	13,910,223	10,415,752	9,942,549	9,232,607
Long term debt.....	30,220,186	30,910,337	27,548,238	26,919,822	30,439,561
Shareholders' equity:					
Book value.....	66,479,882	63,324,284	57,756,269	51,358,267	44,748,041
Book value per share*.....	15.45	14.71	13.42	11.93	10.40
Net increase in book value.....	3,155,598	5,568,015	6,398,002	6,610,226	6,411,686
Net increase in book value per share*.....	.73	1.29	1.49	1.54	1.49

* Shares outstanding in 1959 has been adjusted to give effect to 242,533 shares issued on February 1, 1960, as a consequence of merger with Lucky Mc Uranium Corporation. Per share amounts for all years have been calculated based upon shares outstanding on October 31, 1963, giving effect to the 2% stock dividends paid in 1960, 1961, and 1962 and the 100% stock dividend paid in 1963.

opposite page: Inspecting cutterhead on Utah's dredge FRANCISCAN.





BOARD OF DIRECTORS

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MARRINER S. ECCLES, *Chairman*
EDMUND W. LITTLEFIELD
ALBERT L. REEVES

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ALBERT L. REEVES
Senior Vice President and Secretary
FRANK M. KELLER
Senior Vice President
CHARLES E. McGRAW
Senior Vice President
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Vice President and Treasurer
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Vice President
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Vice President
GUY V. SPERRY
Vice President
ALEXANDER M. WILSON
Vice President
GEORGE P. SEALY
Assistant Treasurer
WILSON D. LEONARD
Controller

TRANSFER AGENTS

First Security Bank of Utah, N.A., Salt Lake City, Utah
Crocker-Citizens National Bank, San Francisco, California

ANNUAL MEETING

Wednesday, January 22, 1964, 2 P.M. at Salt Lake City, Utah

Utah Construction & Mining Co., Home Office: 550 California Street, San Francisco, California, U.S.A.

opposite page: Erecting steel framework for Alameda County's circular garage and heliport, Oakland, California